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A SINKING ECONOMY

Why American companies worry

Manila

■ Once a place where quick riches were to be made, the Philippine Islands these days are a source of high anxiety for many of the American firms that do everything from packing pineapples to assembling autos.

Although most U.S. companies are trying to ride out the storm, several major industries have either cut back or folded in the gloom enveloping Manila. "The economy is going to hell," is the blunt assessment offered by former CIA Director Richard Helms.

Money is still to be made here because, on the whole, Filipinos like American products. But the market is deteriorating rapidly, and a Marcos victory could spell even harder times ahead. He shows no inclination to make the reforms that are badly needed to revive a moribund economy. For that reason, leading businessmen openly oppose his re-election.

Private enterprise is stifled in part because President Ferdinand Marcos has given friends and political allies monopolies in most major industries, including sugar and coconut production. One prominent American banker with long experience in the Philippines comments: "There's also a videocassette monopoly, a cigarette monopoly, an almost-everything monopoly. The result is economic gridlock."

Many experts suspect a wholesale defection would occur were it not for a thicket of government rules that make it hard for foreign companies to move cash out of the Philippines. If the bad times worsen, however, many may pull out no matter what the cost. As it is, more than 500 U.S. companies remain, partly because capital risks are low in this labor-intensive country. U.S. investment is about $1.1 billion, less than that in most other Southeast Asian nations and only 6 percent of U.S. investment in the Pacific.

The U.S. Embassy, a popular first contact for businesses sizing up Philippine opportunities, now has few requests for information. "The current crisis—political and economic—dampens anyone's interest in setting up shop in the Philippines," says one U.S. official. The figures bear him out. In 1985, government-approved equity investments fell 27 percent from the previous year to $223.6 million, lowest in five years.

Manila's Firestone plant continues to produce, but some U.S. firms give up on the economy

After a plunge in auto and truck sales, Ford decided to cut its losses—$25 million over a five-year period—and pulled out in 1984, dismissing 1,400 workers. General Motors, eying a loss as high as $30 million, shut down plants last August and is negotiating a takeover by its Japanese partner, Isuzu. Toyota withdrew in 1984 because its licensee went bankrupt.

Three U.S. drug companies also have thrown in the towel, including recent arrival Baxter Travenol, besieged by labor problems.

Many companies are surviving by sharply trimming labor forces. Further economies have been made by postponing long-planned investments unless they are vital or will produce quick profits. Others are diversifying in an attempt to shore up profits. A foreign combine that includes B. F. Goodrich, for example, decided to spend $5 million on cocoa plantations after seeing tire sales in the islands drop a ruinous 30 percent in two years.

U.S. fruit growers Dole and Del Monte operate amid risks on southern Mindanao island, an insurgency hot spot where Philippine-owned plantations are the target of guerrilla extortion demands. American companies, preferred as employers by Filipinos, refuse to make shakedown payments.

Says one plantation owner: "We tell the rebels that the government will throw us out if we do pay, and then the guerrillas would have to answer to the people for the loss of jobs." ■